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# **AICPA** *Washington Report*

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## AGRICULTURE, DEPARTMENT OF

Regulations regarding assistance to areas impacted by increased coal or uranium production, processing or transportation have been proposed by the Farmers Home Administration (see 3/8/79 Fed. Reg., pp. 12936-51). The intended effect of this action is to provide regulations under which assistance will be provided to eligible applicants in the form of grants. The provisions include a requirement for audits of Site Development and Acquisition Grants to be performed by CPAs or LPAs licensed prior to 12/31/70. Comments on this proposal are due by 5/7/79. Further information is available by calling Paul R. Kugler at 202/447-2573.

## COUNCIL ON WAGE AND PRICE STABILITY

A number of steps to intensify the monitoring of industries where prices have risen sharply and where no prior monitoring existed have been initiated by Council Chairman Alfred Kahn. In addition, he has singled out such industries as gypsum, cement, plywood, paint, beer, tobacco, beef-processing, textiles, leather shoes, drugs, chemicals, and lead batteries, stating that recent price increases in these industries have been "particularly troublesome." Targeted companies within these industries have been asked to supply data which includes their pricing information from the period 1976-1977, the base period for the Administration's anti-inflation guidelines.

Apparently stung by the second successive month of double-digit inflation, Kahn has formalized the Council position which might soon require six-month reports of compliance with Administration guidelines, and substantially increase the number of reporting firms by lowering the requirement to include firms with sales or assets of \$250 million, down from \$500 million. This action comes on the heels of recent statements by Council Director Barry Bosworth that firms under \$500 million seemed to be disregarding the guidelines. Bosworth also stated that the Council will now begin to monitor those industries where small firms dominate and have more of an influence on price. Reporting guidelines, based on assets or sales for these small firms, were not discussed.

## GENERAL ACCOUNTING OFFICE

Reports that foreign banks either own or are in the process of purchasing one-ninth of the nation's commercial bank assets have resulted in a request from House Banking Committee leaders for an investigation of foreign bank operations in this country. Rep. Fernand St. Germain (D-RI), Chairman of the Financial Institutions Subcommittee, has requested the GAO to study the invasion by foreign banks and to assess the ability of Federal bank regulators to supervise foreign bank operations and the impact on U.S. banks and bank customers of foreign bank competition. House Banking Committee Chairman Henry Reuss (D-Wisc) has also requested a study of this issue to be done by the three bank regulatory agencies and the Treasury Department.

## HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

President Carter has unveiled his proposal for hospital cost containment. The legislation was introduced in the Senate by Sen. Gaylord Nelson (D-Wisc) as S.570 and in the House by Ways and Means Health Subcommittee Chairman Charles Rangel (D-NY) as HR 2626. The proposal would establish a national voluntary limit on the rate of increase in total hospital expenses of 9.7%, with

standby mandatory controls to be applied to individual hospitals beginning 1/1/80 if the industry does not meet the voluntary goal. In the event mandatory controls are enacted, those who would be granted an exemption are: all hospitals in states where the total rate of cost increase is within the voluntary limit; individual hospitals that met the voluntary goal; rural hospitals with under 4,000 admissions; hospitals less than three years old; HMO hospitals; and, in some circumstances, hospitals in states with mandatory cost containment programs. Non-exempt hospitals would be given an allowable rate of increase in total in-patient revenues per admission. The mandatory ceiling would include a basic limit, composed of an allowance for inflation and an allowance for efficiency or inefficiency, and adjustments for special circumstances. Once the mandatory limit is established, it would be enforced in two ways: the refusal of Medicare, Medicaid and Blue Cross to pay costs in excess of the hospital's mandatory limit, and 150% tax on excess revenues collected unless these revenues are set aside and used to reduce prices to private patients in future years. Hearings on this proposal began last week in the Senate and will begin today in the House. Prospects for eventual passage remain unpredictable as industry representatives continue to lobby against any governmental intervention.

#### OFFICE OF MANAGEMENT AND BUDGET

Qualified support for the Office of Federal Procurement Policy (OFPP) was expressed by representatives of the General Accounting Office (GAO) at hearings held last week by the Senate Governmental Affairs Subcommittee on Federal Spending Practices. The GAO recommended that the OFPP be reauthorized during the "sunset" hearings (the OFPP would, by law, go out of operation on 9/30/79 unless reauthorized by Congress). Deputy Comptroller General Robert Keller noted that while the OFPP has done a creditable job on balance, areas for substantial progress remain. Keller noted that the on-going Federal Acquisition Regulation project has great potential for simplifying contracting procedures but it presently falls short in attempts to control the proliferation of Federal contract regulations. OFPP Administrator Lester Fettig acknowledged the validity of some of the GAO's criticism but defended the agency's record and noted that the Federal Acquisition Regulation should be in effect by early 1980.

A revised standard for determining costs of government research at colleges and universities has been issued by OMB as Circular A-21, "Cost Principles for Educational Institutions" (see 3/6/79 Fed. Reg., pp. 12368-80). The new standard is designed to improve accountability for federal money and establishes principles for determining costs applicable to grants, contracts, and other agreements. The regulations will narrow the range of accounting alternatives available to universities, thus providing greater uniformity. Under the revised standard, which becomes effective on 10/1/79, a determination will be made in accordance with GAAP as to which expenses are directly attributable to government work and only those expenses will be reimbursed. Additional information may be obtained by contacting John Lordan at 202/395-6823.

#### SECURITIES AND EXCHANGE COMMISSION

SEC Chairman Harold Williams touched on the issues of corporate governance, national market system, and the Federal Securities Code, in a wide-ranging exclusive interview with the Bureau of National Affairs in Washington, D.C. Discussing the activities of the Commission under his stewardship, Williams

advocated a change in the style or approach of Commission activities rather than a change in substance, perhaps reflecting on the potentially serious consequences occasioned by the continuing departure of key staff personnel, seeking employment in the private sector.

In response to a direct question concerning the limited resources of the Commission, Williams indicated that the regulatory effort has been affected, forcing the SEC to establish priorities, to postpone certain activities, and to abandon others altogether. Touching on specific issues, Williams stated that the Federal Securities Code is "massive" and the SEC is months away from finalizing its position; that he will stress disclosure, rather than direct intervention in the area of corporate governance, probably abandoning an earlier proposal to label directors on the basis of their relationship to management; that Commission initiatives in the area of the national market system for securities will proceed in a cautious and conservative manner; and that Commission focus on issues, concurrent with specific proposals has heightened the sensitivity of the corporate community. Responding to a hypothetical question, Williams indicated that legislation mandating audit committees and independent boards would not pass at this time, nor should it.

Steven J. Golub, CPA, has been named to the position of Deputy Chief Accountant, SEC Chief Accountant Clarence Sampson announced recently. Prior to joining the Commission in 1977, Mr. Golub was associated with Deloitte Haskins & Sells for nine years. The Office of the Chief Accountant serves as principal advisor to the Commission on accounting and auditing matters, by: (a) evaluating current accounting, auditing and quality control standards; (b) recommending action to the Commission in situations involving improper reporting of financial information and in the discipline of public accountants; and (c) overseeing the accounting profession's initiatives concerning self-regulation, the independence of auditors, and the accounting and auditing standard-setting processes, including periodic reports to Congress on the profession's progress.

A proposal that would require lawyers to report fraud or other violations of the law by corporate clients or others to the Commission will be discussed at an open meeting of the Commission on 3/14/79. This rule proposal was submitted to the Commission by the Institute for Public Representation, a public interest group affiliated with Georgetown University. In addition to requiring lawyers to report fraud, the proposal would amend SEC disclosure forms to require the disclosure of information on the obligation of corporate attorneys to report violations of the law to the board of directors, agreements between corporations and outside counsel, and the resignation or dismissals of corporate counsel. Possible Commission action could include releasing these suggested amendments as proposed rules. The meeting will be held at 10:00 a.m. at Commission headquarters. For more information contact Frederic Townsend at 202/376-3561.

#### TREASURY, DEPARTMENT OF

The real wage insurance proposal has barely survived a crucial vote by the House Ways and Means Committee. The panel, during final budget deliberations, voted 19-17 to leave room in the fiscal 1980 budget for a scaled-down version of the plan. The Committee action assumes that any real wage insurance program would not cost more than \$2.3 billion, although most tax experts

agree that the Carter Administration proposal would cost in excess of \$7 billion. Chairman Al Ullman (D-Ore) voiced his "misgivings" about the program, but urged the Committee not to kill the proposal by not leaving room for it in the budget. Several members of the Democratic majority that voted to give the Administration its slim margin of victory commented that they remained very skeptical of the plan and would oppose the program if it exceeded the \$2.3 billion budget figure.

Suggestions to improve IRS tax forms and instructions are being solicited again this year. The IRS requests that the public submit written comments by 6/1/79 that contain detailed suggestions on desired changes or improvements in tax forms and instructions. This request is part of the annual review of tax forms conducted by the IRS. Comments and suggestions can be sent to the Chairman, Tax Forms Coordinating Committee, Room 5577, IRS, 1111 Constitution Avenue, NW, Washington, D.C. 20224.

Final regulations limiting the deductibility of capital losses by taxpayers have been published (see the 3/7/79 Fed. Reg., pp. 12418-20). These regulations, which are effective for taxable years after 12/31/76, increase the maximum amount of the capital loss deduction against ordinary income from \$1,000 to \$3,000 for taxable years beginning after 1977. For more information on these regulations contact David B. Cubeta at 202/566-3926.

Guidance on the expanded time period for Subchapter S election by certain corporations for taxable years beginning after 12/31/78 has been announced by the IRS (see IR-2103). The Revenue Act of 1978 has expanded the election period to include the corporation's preceding taxable year and the first 75 days of the taxable year for which the election is to be effective. This amendment is for taxable years beginning after 12/31/78. The applicable IRS forms and publications will reflect the 12/31/78 effective date.

Proposed rules on employee retirement benefits excluded from estate and gift taxation have appeared in the 3/2/79 Fed. Reg., pp. 11791-95. These proposals would apply to amounts payable under qualified individual retirement plans and reflect changes made by the Tax Reform Act of 1976 and the Revenue Act of 1978. Comments and a request for a hearing are due by 5/1/79. For more information contact Richard L. Johnson at 202/566-6358.

SPECIAL: ACIR PUBLISHES UPDATED CATALOG ON GRANT-IN-AID PROGRAMS

"A Catalog of Federal Grant-In-Aid Programs to State and Local Governments: Grants Funded FY 1978" is the title of a publication recently released by the Advisory Commission on Intergovernmental Relations. The catalog is part of a 14-volume series and is an update of that inventory, which was originally published in 1975. This new edition covers Congressional action over the three-year period from 1/1/75 through 12/31/77. A copy of this catalog may be obtained for \$1.80 each by contacting the GPO.

For additional information contact:  
Susan Retter, Teresa Travers, or Steven Woolf  
202/872-8190

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**American Institute of Certified Public Accountants**

1620 Eye Street, N.W., Washington, D.C. 20006

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